



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

is so powerful as the normal and free functioning of legitimate speculation. Members of the bourse are so vitally interested in eliminating disreputable and the dishonest gamblers, that no other power in the world can be more severe and more pitiless in persecution.¹

EMIL FRIEND

CHICAGO

WASHINGTON NOTES

THE VREELAND CURRENCY BILL
CURRENCY MANIPULATION IN THE HOUSE
A DANGEROUS FISCAL SITUATION
INVESTIGATION OF COTTON FUTURES
A NEW TARIFF COMMISSION
THE WOOD PULP AND PAPER INQUIRY

Currency developments during the past month have centered very largely around the so-called Vreeland currency bill (H. R. 21,414). This bill was an unexpected factor in the currency situation, being introduced in the House by Mr. Vreeland of New York, its putative author, distinctly as the representative of Speaker Cannon and the little group of House leaders. Mr. Vreeland's bill rapidly passed through three distinct forms. In its original form, it contained the bulk of the provisions of the Aldrich currency bill as the latter measure passed the Senate. The main features eliminated from the Aldrich bill were the prohibition to banks to make loans upon the securities of corporations in which their officers were interested and the section changing the distribution of reserves. There was interpolated a section authorizing any number of national banks not less than ten and having a capital of not less than \$10,000,000 to unite in a clearing-house association for the issue of notes based upon commercial assets deposited with these clearing houses. Banks were to secure the issue of clearing-house certificates by these associations, the certificates being later forwarded to the Treasury Department, there to serve as the basis for the issue of bank notes. The second form of the Vreeland bill retained all of the principal features of the original measure but raised the total volume of emergency notes which could be issued under it to \$750,000,000 instead of \$500,000,000, reduced the required combined capital of the clearing-house banks to \$5,000,000 instead of \$10,000,000, and somewhat changed the conditions of taxation subject to which the emergency notes were to be put out. The third form of the Vree-

¹*La loi allemande sur les bourses* (Etude d'Economie Politique), by Carl Pieckenbrock.

land bill eliminated the remaining ideas of the original Aldrich plan by cutting out the first three sections in which provision was made for the issue of notes based upon state, municipal, and county bonds directly deposited with the Treasury Department. This left the new system of clearing-houses as the sole source of emergency currency, but allowed the clearing-houses to accept such bonds as they might deem suitable as security behind the certificates to be issued by them as a basis for new notes. The chief criticism to which this whole plan was subjected was its looseness as regards redemption and reserves, and its failure to co-ordinate the different sections of the bill with one another in such a way as to close loopholes of danger manifestly existing in cases where unscrupulous bank managers might seek to make the bill a method of inflation.

The real position of the Vreeland bill has been clearly exhibited through the interest evidently taken in it by the House leaders. From the opening of the session it was felt by Speaker Cannon that his political prestige was deeply involved in the passage of a currency measure. How strongly this idea was entertained by the Speaker he plainly showed in the successive changes which he ordered made in the Vreeland plan for the purpose of adapting it to the wishes of the House members. Failing in this, Speaker Cannon, after an elaborate canvass of the House, summoned a caucus (securing the votes of the requisite number of Republican signers as a basis) for the consideration of the currency question. This caucus convened on the night of Tuesday, May 5, and was continued on the following night. At these meetings certain important results were accomplished: (1) the Banking and Currency Committee was practically discharged by the appointment of a special committee to frame a currency bill for submission to a later meeting of the caucus; (2) a resolution was adopted indorsing the principle of commercial paper as the most appropriate security behind issues of bank notes; (3) the Vreeland bill was officially discarded so far as its name was concerned, although its two main features, the basing of bank notes upon assets approved by clearing-houses, and the organization of banks in groups for the issue of notes were retained. Immediately after organizing, the special committee appointed at the caucus sent to all the Republican members of the House of Representatives a letter asking for replies to the following questions:

1. Would you favor limiting the authorized issue of notes under the bill at an amount less than \$750,000,000?
2. Would you favor the requirement that the members of associations be located in contiguous territory?
3. Would you permit more than one association in any one city?
4. Would you favor making the banks of all associations jointly and severally liable for all notes issued by its constituent members?

Replies to these questions as received by the committee showed a very wide divergence of opinion among the members of the House, this divergence being so broad as to indicate the absolute necessity of further currency education. The results of the committee's work took form in a measure submitted to the House caucus, reconvened May 11, and substantially recommending the last preceding form of the Vreeland measure with a few new and relatively unimportant modifications.

Decline in the free gold in the Treasury from something like \$146,000,000 a year ago to some \$40,000,000 to \$50,000,000 at the opening of May has been the striking fact in the recent history of the Treasury Department. As a result the department has at times during the past few weeks practically suspended gold payments except upon the specific demand of creditors for gold coin or its equivalent. The situation has been due to the steady falling off of revenue accompanied by the growing recognition of redundancy in the currency. Nowhere has the change in the condition of the Treasury been more strikingly observed than in connection with figures showing the composition of the "general fund" of the department. This fund, at the opening of February, usually contained some \$25,000,000 or \$30,000,000 in gold coin and bullion, while there were usually more than \$40,000,000 of gold certificates. The national bank notes in the fund were ordinarily held down to low figures, although they were at times as high as \$30,000,000 or a little more. By the beginning of May the gold coin and bullion had sunk below \$15,000,000 and the certificates usually varied in the daily statements between \$20,000,000 and \$25,000,000, while national bank notes were over \$50,000,000. The composition of this general fund changed, owing to large payments of national bank notes to the government, and the sending in of great quantities of such bank notes for redemption. Although national bank notes received for redemption had seldom run more than \$1,000,000 a

day during the fall and winter they doubled toward the beginning of May, while the Treasury was not able to send them home promptly because of the inadequate force at its command in the Redemption Division. One factor which operated to aggravate the situation somewhat was the passage of the New York State law requiring the keeping of specified trust company reserves in "lawful money." The effect of this legislation was to drive out many national bank notes from trust company vaults, their place being taken by the classes of currency required under the new law. This, coupled with the redundancy throughout the country, made the problem difficult for the Treasury. The development of these conditions has strongly directed attention to the method of redeeming national bank note currency should any new legislation be placed on the statute books. Most proposals for such legislation have thrown the burden of direct redemption upon the Treasury; but it is now being more and more understood that such redemption can be successfully carried on by the department only in case there is a substantial and continuing surplus of revenue—a condition likely at any time to disappear.

Commissioner of Corporations Smith has published (May 4) the first instalment of an investigation into the present system of trading in cotton futures upon which the bureau has been engaged for nearly a year (*Report of Commissioner of Corporations on Cotton Exchanges*, Part I, 1908). This first instalment deals only with one aspect of the problem submitted to the bureau. It confines itself to the question of methods of establishing "differences" between cotton grades. The practice of the New York exchange has been to establish through a committee known as the revision committee twice a year, in September and in November, the respective price differences "on or off" which shall apply to all grades of cotton other than "middling." These differences once established cannot be changed until the next regular meeting, and they govern all contracts in futures. That is to say, the New York system arbitrarily fixes what the differences for all grades shall be for two months or for ten months. The New Orleans market, on the other hand, has been in the habit of following the actual market differences for these grades as established by daily spot transactions. Commissioner Smith's report carefully compared the two methods and comes out strongly against the New

York plan on the ground that it is an attempt "to render future transactions a sure thing for a limited class of speculative experts." In the effort to substantiate this point of view, careful study is made of the conditions existing in November, 1906, when the Cotton Exchange revision committee so fixed the grades as to inflict a tremendous loss upon a vast number of holders of future contracts for cotton, several failures being due to this one clause. The report goes into the conditions of cotton speculation at great length and from a very technical standpoint. This first report will be followed by other instalments in which will be considered further effects of speculation upon prices, the question of establishing cotton grades through a corps of government experts and other kindred problems. It will be some time before the whole report is completed, but, meanwhile, the Bureau of Corporations has supplied the most thorough monograph on the technique of future operations in cotton that has yet been published. Politically the publication of the study has lent new strength to the demand for legislation by Congress against speculation in cotton futures, a movement which has been strongly supported by a considerable number of congressmen from southern states where local legislation has already sought to attack the future system.

Another step in the direction of a system of reciprocity arrangements with foreign countries has been taken by the State Department through the appointment of a new tariff commission. This commission is to go to France for the purpose of considering the points left open in the negotiations of the past year which culminated in the reciprocity agreement made public in February (Circular No. 8, Customs Division, Treasury Department). What is to be done by the new commission is indicated in article 3 of the reciprocity agreement. This provides for an investigation of the customs regulations of France and the United States with a view to modifying them at points where trade is being unduly hampered without corresponding protection to the consumer or the revenue. The article gives no final power to the commission but merely provides for the submission of suggestions by it.

While this section does not of course make any definite statement as to the basis of the new negotiations, it has developed that two points are now sharply in controversy and must be settled, if possible, by the commission. One of these is the conditions under

which American meats are admitted into France, the French regulations being particularly and, it is believed, unnecessarily severe with respect to them. The other contested point is the conditions under which French canned goods are admitted into the United States. It is the feeling of the French government that our pure food system has been unduly severe in this regard, and that it could be modified without danger to the health of consumers. It is not stated whether the envoys will negotiate a general reciprocity treaty as was done by the commission which went to Germany eighteen months ago. The commission will not start until after the Republican National Convention at Chicago. What that convention may declare with reference to the tariff will undoubtedly go far toward determining the breadth of the duties assigned in this connection. Secretary Root has, however, taken the position that it was not wise to negotiate agreements with foreign countries when there was no assurance that such agreements could secure recognition from Congress. The German arrangement was worked out at the strong desire of the German government and with the distinct understanding that there could be no guaranty of its passage by the Senate.

Considerable importance in the history of the present tariff reform movement should be assigned to the investigation of the prices of wood pulp and print paper. The argument has been advanced that there has been a large increase in the prices of print paper, and also a wasteful use of forest products tending to destroy an important branch of our natural resources. In response to these representations Speaker Cannon himself introduced a resolution providing for the investigation, it being the feeling of the leaders that to acknowledge the possibility of checking the "paper trust" through the removal of a tariff duty of 15 per cent. would open the way for extensive demands in connection with other tariff-protected and trust-controlled industries. The hearings before the committee ("Pulp and Paper Investigation Hearings, 1908") indicate clearly the lines along which the Ways and Means Committee will be likely to conduct the summer investigation of other tariff schedules which has been promised. It is a mild statement to say that the special committee on wood-pulp has shown so strong a bias in favor of the retention of the present rates as to make the outlook for tariff revision highly unpromising.